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**SHILOH FALLS UTILITIES, INC.**

P. O. BOX 301

02 OCT 14 AM 9 30 COUNCE, TENNESSEE 38326

TN REGULATORY AUTHORITY  
DOCKET ROOM

October 7, 2002

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SARA KYLE, COMMISSIONER  
TN PUBLIC SERVICE COMM.

Mrs. Sara Kyle  
Chairman, Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: Docket #02-00289 – Compliance Audit of Shiloh Falls Utilities, Inc.

Dear Mrs. Kyle:

In reply to your September 25, 2002 inquiries, the Company's response is:

- Question 1. No, the Company did not get prior approval for rate variances. The Company began charging the "O/M" fee, which is an operation and maintenance charge to customers who share a common pump, approximately four years ago. In selected areas, several customers requested that the Company allow them to use one grinder pump vs. one pump for each resident. The maintenance of grinder pumps is always the responsibility of the customer. The \$5.00 "O/M" fee was suggested by the customers of the Company to collect and hold so when maintenance of a pump was required you are not dependent upon collecting the pro rata cost from each customer. This is in essence an escrow for future repairs.
- Question 2. In July, 1999, SPD Company, LLC and Shackelford Development Corporation Joint Venture infused new capital of \$35,000 for need repairs to the sewer treatment plant. The joint venture borrowed the funds from David Woods. The entry of this transaction as a note was not accurate. A copy of the actual check can be provided to the Tennessee Regulatory Authority. The actual debt was owed by SPD Company, LLC and Shackelford Development Corporation Joint Venture to David Woods.
- Question 3. Shiloh Falls Utilities, Inc. does not collect or require a security deposit. Lands of Pickwick, Inc. prepaid connection or tap fees to aid the Company in obtaining funds to install a sand filter for the sewer treatment plant. As each individual customer paid their

tap fee the company reimbursed Lands of Pickwick for the prepaid tap fee. No other customer has paid a deposit in this fashion.

Question 4. Yes. The Company does require that the engineering specifications be met for all pumps installed. Only one other contractor has expressed an interest in installing pumps and has been allowed to do so. The actual work is not performed by the Company. The installation is subcontracted to a third party for a fixed price.

Question 5. Yes. There have been homeowners denied permission to install pumps on their own by their building contractor. They were informed that their builder had to use a certain pump. If their contractor's pump did not meet the specifications for the sewer design, they were denied permission to install the pump.

Should you have any questions or need any additional information, please do not hesitate to contact me.

Very truly yours,

SHILOH FALLS UTILITIES, INC.

A handwritten signature in cursive script, reading "Robert P. Shackelford".

By: Robert Shackelford